

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2013

HILL, INZINA & COMPANY

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C O N T E N T S

	Page(s)
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)	
Management's discussion and analysis	4 - 8
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statements of net position - governmental activities	9
Statement of activities - governmental activities	10
Fund financial statements:	
Balance sheet - governmental fund - general fund	11
Statement of revenues, expenditures, and changes in fund balance - governmental fund - general fund	12
Reconciliation of governmental fund balance sheet to government-wide statement of net position	13
Reconciliation of governmental fund statement of revenues, expenditures, and changes in fund balance to government-wide statement of activities	14
Statement of fiduciary fund net position - agency fund	15
Notes to financial statements	16 - 32
REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)	
Budgetary comparison schedule - governmental fund - general fund	33 and 34
Employee health care plan - schedule of funding progress	35
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	36 and 37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION	38 and 39
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	40

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Commissioners
Morehouse Sales and Use Tax Commission
Bastrop, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

As described in the notes to the financial statements, the Commission adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the year ended June 30, 2013.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

/s/ Hill, Inzina & Co.

October 14, 2013

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2013

As management of Morehouse Sales Tax and Use Tax Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2013. This discussion and analysis of management is designed to provide an objective and easy to read analysis of the Commission's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Commission's finances. It is also intended to provide readers with an analysis of the Commission's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Commission. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Commission's financial activity, identify changes in the Commission's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes to financial statements and the required supplementary information that is provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements. The Commission's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net position and statement of activities, seeking to give the users of the financial statements a broad overview of the Commission's financial position and results of operations in a manner similar to a private-sector business.

The statement of net position present information on all of the Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or weakening. Evaluation of the overall economic health of the Commission would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities present information showing how the Commission's net position changed during the current fiscal year. All current year revenues and expenses area included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Commission's distinct activities or functions on revenues provided by the users of its services.

The government-wide financial statements report governmental activities of the Commission that are principally supported by charges for services. Governmental activities include general government only.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Commission uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the Commission are governmental funds that are used to account for all of the Commission's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Commission's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

3. Statement of fiduciary fund net position

Fiduciary (agency) funds are used to account for resources held for the benefit of taxing bodies. As these resources are not available to support the Commission, the fiduciary (agency) fund is not reflected in the government-wide financial statements. The Commission however benefits by maintaining these funds in the form of fees.

4. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

In addition to the basic financial statements, the Commission also includes in a subsequent section of this report additional information to supplement the basic financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net position of the Commission's governmental activities as of June 30:

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 355,000	\$ 308,167
Capital assets	<u>46,076</u>	<u>54,770</u>
Total assets	<u>\$ 401,076</u>	<u>\$ 362,937</u>
Other liabilities	\$ 222,379	\$ 166,457
Long-term liabilities	<u>10,149</u>	<u>8,196</u>
Total liabilities	<u>\$ 232,528</u>	<u>\$ 174,653</u>
Net position:		
Invested in capital asset	\$ 46,076	\$ 54,770
Unrestricted	<u>122,472</u>	<u>133,514</u>
Total net position	<u>\$ 168,548</u>	<u>\$ 188,284</u>

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission will use the unrestricted net position to meet the ongoing obligations to users of its services and creditors.

By far the largest portion of the Commission's net position as of June 30, 2013 (72.7%) consists of unrestricted net position. The remaining portion reflects the Commission's investment in capital assets (furniture, equipment, and a vehicle). The Commission uses these capital assets to provide services to users of its services; consequently, these assets are not available for future spending.

The following summarizes the Commission's net position changes as of June 30:

	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 283,063	\$ 288,129
General revenues:		
Interest and miscellaneous	<u>1,125</u>	<u>2,020</u>
Total revenues	\$ 284,188	\$ 290,149
Expenses:		
Current:		
General government	<u>303,924</u>	<u>289,875</u>
Change in net position	\$ (19,736)	\$ 274
Net position - beginning	<u>188,284</u>	<u>188,010</u>
Net position - ending	<u>\$ 168,548</u>	<u>\$ 188,284</u>

The Commission's program revenues decreased by \$5,066 with the total cost of all programs and services increasing by \$14,049.

Program revenues derive directly from the program itself and as a whole, reduce the cost of the function to be financed from the Commissions' general revenues.

Financial Analysis of Governmental Funds

As of June 30, 2013, the Commission's governmental fund reported an ending fund balance of \$173,318, an increase of \$5,652 from \$167,666 as of June 30, 2012. The fund balance was unassigned for both years.

General Fund Budgetary Highlights

The Commission made no amendments to its original budget for the year ended June 30, 2013. There were no unfavorable variances of 5% or more with the final budgeted amounts.

Capital Assets

The Commission's investment in capital assets, net of accumulated depreciation, for the governmental activities as of June 30, 2013 was \$46,076 compared to \$54,770 as of June 30, 2012. The Commission's only capital asset addition during the current fiscal year cost \$4,035.

Economic Factors and Next Year's Budget

The Commission foresees minimal changes in operations for the next fiscal year. The \$291,548 adopted budget for the year ending June 30, 2014 did not include any of the \$173,318 available fund balance.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ron Carter, Administrator, Post Office Box 672, Bastrop, Louisiana 71220.

BASIC FINANCIAL STATEMENTS

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2013

ASSETS

Cash	\$ 82,053
Certificates of deposit	100,000
Restricted cash	172,947
Capital assets, net of depreciation	<u>46,076</u>
 Total assets	 <u><u>\$ 401,076</u></u>

LIABILITIES

Accounts payable	\$ 4,823
Accrued salaries	4,486
Payable from restricted cash	172,373
Long-term liabilities:	
Due within one year	2,011
Due in more than one year	8,138
Net other postemployment benefit (OPEB) obligation	<u>40,697</u>
Total liabilities	<u><u>\$ 232,528</u></u>

NET POSITION

Invested in capital assets	\$ 46,076
Unrestricted	<u>122,472</u>
Total net position	<u><u>\$ 168,548</u></u>
 Total liabilities and net position	 <u><u>\$ 401,076</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
As of and for the Year Ended June 30, 2013

Expenses:

Current:

General government:

Personal services	\$ 219,089
Operating services	34,819
Professional services	23,884
Travel and education	13,403
Depreciation	<u>12,729</u>
Total expenses	\$ 303,924

Program revenues:

Charges for services	<u>283,063</u>
Net program revenue (expenses)	\$(20,861)

General revenues:

Interest and miscellaneous	<u>1,125</u>
Change in net position	\$(19,736)

Net position - beginning	<u>188,284</u>
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Net position - ending	<u><u>\$ 168,548</u></u>
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See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND
June 30, 2013

ASSETS

Cash	\$ 82,053
Certificates of deposit	100,000
Restricted cash	<u>172,947</u>
 Total assets	 <u><u>\$ 355,000</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 4,823
Accrued salaries	4,486
Payable from restricted cash	<u>172,373</u>
Total liabilities	\$ 181,682
 Fund balance - unassigned	 <u>173,318</u>
 Total liabilities and fund balance	 <u><u>\$ 355,000</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended June 30, 2013

Revenues:	
Charges for services	\$ 283,063
Interest and miscellaneous	<u>1,125</u>
Total revenues	<u>\$ 284,188</u>
Expenditures:	
Current:	
General government:	
Personal services	\$ 202,395
Operating services	34,819
Professional services	23,884
Travel and education	13,403
Capital outlay	<u>4,035</u>
Total expenditures	<u>\$ 278,536</u>
Net change in fund balance	\$ 5,652
Fund balance - beginning	<u>167,666</u>
Fund balance - ending	<u><u>\$ 173,318</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of and for the Year Ended June 30, 2013

Total fund balance - governmental fund balance sheet	\$ 173,318
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	46,076
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(10,149)
Contributions to the OPEB obligation are reported as expenditures in the governmental funds. However, these amounts are reported as a reduction of long-term liabilities in the governmental activities.	<u>(40,697)</u>
Total net position of governmental activities - government-wide statement of net position	<u>\$ 168,548</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
As of and for the Year Ended June 30, 2013

Net change in fund balance - governmental fund	\$ 5,652
Amounts reported for governmental activities in statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$12,729) exceeded capital outlay (\$4,035) in the current period.	(8,694)
Compensated absences and OPEB obligations reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>(16,694)</u>
Change in net position - government-wide statement of activities	<u><u>\$(19,736)</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF FIDUCIARY FUND NET POSITION - AGENCY FUND
June 30, 2013

ASSETS

Cash	<u>\$ 4,820</u>
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LIABILITIES

Due to taxing bodies	<u>\$ 4,820</u>
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See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2013

Note 1. Organization and Summary of Significant Accounting Policies

Morehouse Sales and Use Tax Commission (the "Commission") was created by joint agreement of the sales and use taxing bodies of Morehouse Parish, Louisiana, on May 7, 1992, in accordance with Louisiana Revised Statute 33:2844. The purpose of the Commission is to provide centralized collection, enforcement, and administration of sales and use taxes within Morehouse Parish. The governing body of the Commission is comprised of nine non-compensated board members which are appointed as follows:

	<u>Members Appointed</u>
Morehouse Parish School Board	2
Morehouse Parish Police Jury	1
Sheriff of Morehouse Parish	1
City of Bastrop	2
Village of Mer Rouge	1
Village of Bonita	1
Village of Collinston	1

Each appointee of Morehouse Parish School Board and City of Bastrop, as well as the appointees of Morehouse Parish Police Jury and Sheriff of Morehouse Parish, have one full vote as a commissioner and the appointees from Village of Mer Rouge, Village of Bonita, and Village of Collinston have one-third vote each as a commissioner. Each appointed commissioner serves a one year term ending on June 30th of each year.

On December 21, 1999, the Commission entered into a joint agreement with Morehouse Parish Tourism Commission to collect, enforce, and administer the respective hotel/motel occupancy tax as authorized and levied by Morehouse Parish Tourism Commission within the boundaries of Morehouse Parish. The joint agreement also authorizes the Commission to institute suits in the name of Morehouse Parish Tourism Commission to enforce the collection of such tax.

The joint agreement with Morehouse Parish Tourism Commission was renewed effective May 1, 2006 and runs in perpetuity provided, however, that either party may withdraw from the agreement upon 90 day written notice to the authorized representative. For services performed by the Commission under the joint agreement, Morehouse Parish Tourism Commission pays the Commission \$50 per month for collection of ten and under account

NOTES TO FINANCIAL STATEMENTS

transactions of any tax activity. If the number of tax account activities exceeds the maximum of ten accounts, the collection fee will be negotiated between the two parties and attached as an amendment to the agreement.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Commission is a jointly appointed stand-alone government, as it meets neither the criteria of a primary government, nor a component unit, since its governing board is not elected, and it is not fiscally dependent upon any of the constituent governments. As used in GASB Statement No. 14, fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget and set its own rates or charges. The Commission has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the appointed Board of Commissioners are financially accountable.

The more significant of the Commission's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Commission as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities summarizing the fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services which report charges to users of the Commission's services. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included within the program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements are provided for governmental funds with the major governmental fund reported in a single column.

Statement of Fiduciary Fund Net Position:

Fiduciary (agency) funds are used to account for resources held for the benefit of taxing bodies. These resources are not available to support the Commission.

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Government fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred. There are no major revenue sources susceptible to accrual.

Fiduciary fund reporting focuses on net assets and changes in net assets. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, fiduciary funds have no measurement focus, but use the modified accrual basis of accounting.

Fund Type and Major Fund:

The Commission reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the Commission and accounts for all financial resources.

The only fund accounted for as a fiduciary fund by the Commission is an agency fund. This fund accounts for assets held by the Commission as agent for various taxing bodies.

Budgets and Budgetary Accounting:

The budget for the General Fund was proposed by the Commission's administrator and formally adopted by the Board of Commissioners on June 28, 2012. The annual budget is prepared in accordance with the basis of accounting utilized by the fund. The Commission's administrator is authorized to transfer budgeted amounts within the functions; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, require approval of the Commissioners. All annual appropriations lapse at the end of each fiscal year.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

Cash includes amounts in interest bearing demand deposits. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Certificates of Deposit:

State statutes authorize the Commission to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. If the original maturities of time deposits exceed 90 days, they are classified as certificates of deposit; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost, which approximates market value.

Restricted Assets:

Restricted assets are reported for cash legally restricted for specified uses such as the repayment of sales taxes paid under protest.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as needed.

Capital Assets and Depreciation:

The Commission's furniture, equipment, and vehicle with useful lives of more than one year are stated at historical cost. Capital assets are comprehensively reported in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

The Commission generally capitalizes assets with cost of \$1,000 or more as purchase outlays occur. The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Capital assets are depreciated using the straight-line method over estimated useful lives of five years. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by the Commission's personnel policy, based on length of continuous employment by the Commission, accrued on an employment anniversary basis, and accrued to specified maximums. Hourly employees may elect compensatory time in lieu of overtime pay with proper documentation and approval by the Commission's administrator. Compensatory time is granted to supervisory personnel in lieu of overtime pay.

The Commission's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16, *Accounting for Compensated Absences*, provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

NOTES TO FINANCIAL STATEMENTS

2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Annual vacation time should be taken in the year following that in which it was accrued but if not, a maximum of five days can be carried forward to use during the next year. If an employee is unable to utilize any vacation days over the maximum that may be carried forward, then the unused portion will be credited as extended sick leave.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Compensated absences are paid from the fund responsible for the employee's compensation.

Long-Term Liabilities:

Accrued compensated absences are reported as liabilities in the government-wide financial statements. Expenditures for compensated absences are recorded in the fund financial statements only when payment is made.

Equity Classifications:

In the government-wide statements, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
3. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTES TO FINANCIAL STATEMENTS

In the fund financial statements, governmental fund equity is classified as fund balance. Beginning with fiscal year 2011, the Commission implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Commission's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

1. Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
2. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
3. Committed fund balance - amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level action to remove or change the constraint;
4. Assigned fund balance - amounts that the Commission intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
5. Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Revenue Recognition:

Fees for the collection of sales and use taxes are recorded when the Commission is entitled to the funds which is normally the same month the taxes are collected by the Commission.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits with Financial Institutions

As of June 30, 2013, the Commission had cash and certificates of deposit (book balances) as follows:

Interest-bearing demand deposits	\$ 81,853
Certificates of deposit	100,000
Petty cash	<u>200</u>
	<u>\$ 182,053</u>

The deposits are stated at cost, which approximates market. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the Commission or its agent in the name of the Commission in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2013, the Commission had \$272,352 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$255,330 of pledged securities held by the counterparty's trust department or agent in the Commission's name..

There were no repurchase or reverse repurchase agreements as of June 30, 2013.

The Commission had not formally adopted deposit and investment policies as of June 30, 2013 that limit the Commission's allowable deposits or investments and address the specific types of risk to which the Commission is exposed.

Note 3. Restricted Cash and Liability Payable from Same

Restricted assets of \$172,947 consist of funds required to be maintained and the use is restricted to the repayment of sales taxes paid under protest.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset and depreciation activity for the year ended June 30, 2013 of the Commission is as follows:

	Balance July 1, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2013</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 80,991	\$ 4,035	\$ -	\$ 85,026
Vehicle	<u>46,515</u>	<u>-</u>	<u>-</u>	<u>46,515</u>
Total capital assets being depreciated	<u>\$ 127,506</u>	<u>\$ 4,035</u>	<u>\$ -</u>	<u>\$ 131,541</u>
Less accumulated depreciation:				
Furniture and equipment	\$(51,179)	\$(7,183)	\$ -	\$(58,362)
Vehicle	<u>(21,557)</u>	<u>(5,546)</u>	<u>-</u>	<u>(27,103)</u>
Total accumulated depreciation	<u>\$(72,736)</u>	<u>\$(12,729)</u>	<u>\$ -</u>	<u>\$(85,465)</u>
Total capital assets being depreciated, net	<u><u>\$ 54,770</u></u>	<u><u>\$(8,694)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,076</u></u>

Note 5. Long-Term Liabilities

The following is a summary of the transactions of the Commission's long-term liabilities for the year ended June 30, 2013:

	Compensated <u>Absences</u>
Balance - July 1, 2012	\$ 8,196
Additions	<u>1,953</u>
Balance - June 30, 2013	<u><u>\$ 10,149</u></u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of the current (due within one year) and long-term (due within more than one year) portions of long-term liabilities as of June 30, 2013:

	Compensated <u>Absences</u>
Current portion	\$ 2,011
Long-term portion	<u>8,138</u>
Total	<u>\$ 10,149</u>

As of June 30, 2013, employees of the Commission had accumulated and vested compensated absences which were computed in accordance with GASB Statement No. 16. The total amount accrued as of June 30, 2013 is reported in the statement of net assets as long-term liabilities.

Note 6. Pension Plan

Plan Description:

All full-time employees of the Commission are members of Municipal Employees' Retirement System of Louisiana (the "System"), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Commission are members of Plan A.

Employee Eligibility Requirements:

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from Commission funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

NOTES TO FINANCIAL STATEMENTS

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 16.75% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Commission are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The Commission's contributions to the System under Plan A for the years ended June 30, 2013, 2012, and 2011 were \$24,760, \$23,769, and \$18,724, respectively, equal to the required contributions for each year.

Note 7. Postemployment Benefits Other than Pensions

Plan Description:

The Commission provides certain continuing health care insurance for its retired employees. Substantially all of the Commission's employees become eligible for this benefit if normal retirement age is attained while employed by the Commission. This benefit for retirees and a similar benefit for active employees are provided through an insurance company whose monthly premiums are paid by City of Bastrop with the Commission making reimbursement payments.

Benefit provisions are established by the Commission. The health plan does not issue a publicly available financial report.

NOTES TO FINANCIAL STATEMENTS

Effective with the year ended June 30, 2011, the Commission implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement has been implemented prospectively. Using this method, the beginning other postemployment benefit (OPEB) liability is set at zero and the actuarially determined OPEB liability relative to past service (prior to July 1, 2010) will be amortized and recognized as an expense over thirty years.

Funding Policy:

The Commission contributes 100% of the cost of health insurance premiums of eligible retirees. For the year ended June 30, 2013, the Commission contributed \$4,107.

Annual OPEB Cost and Net OPEB Obligation:

The Commission's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation to the health plan:

Annual required contribution	\$ 18,359
Interest on prior year net OPEB obligation	(992)
Adjustment to annual required contribution	<u>1,038</u>
Annual OPEB cost (expense)	\$ 18,405
Contributions made	<u>(3,664)</u>
Increase in net OPEB obligation	\$ 14,741
Net OPEB obligation, beginning of year	<u>25,956</u>
Net OPEB obligation, end of year	<u>\$ 40,697</u>

The Commission contributed 20% of the annual OPEB cost to the plan for the year ended June 30, 2013.

NOTES TO FINANCIAL STATEMENTS

Funded Status and Funding Progress:

As of June 30, 2010, the actuarial accrued liability for benefits was \$323,513, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$135,343, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 239%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because requirements of GASB Statement No. 45 were implemented starting with the year ended June 30, 2011, only one year is available.

Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on the mortality tables from the National Center for Health Statistics. The 2003 (revised 2007) United States Life Tables for Males and for Females were used.

NOTES TO FINANCIAL STATEMENTS

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. An average rate of 6.5% initially, decreased to an ultimate rate of 6.4% after ten years, was used.

Health insurance premiums - 2010 age adjusted health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation rate assumption of 4.0 was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers in *The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Commission's short-term investment portfolio, a discount rate of 2% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 30 years.

NOTES TO FINANCIAL STATEMENTS

Note 8. Changes in Due to Taxing Bodies

Balance July 1, 2012	<u>\$ 12,252</u>
Collections:	
Sales and use tax	\$ 16,258,775
Hotel/motel occupancy tax	53,709
Interest	<u>374</u>
Total collections	<u>\$ 16,312,858</u>
Remittances:	
Taxes distributed:	
Sales and use	\$ 15,858,182
Hotel/motel occupancy	53,709
Refunded sales and use tax	103,257
Collection fee to Morehouse Sales and Use Tax Commission	282,461
Revenue recovery fees	3,203
Other	<u>19,478</u>
Total remittances	<u>\$ 16,320,290</u>
Balance June 30, 2013	<u><u>\$ 4,820</u></u>

NOTES TO FINANCIAL STATEMENTS

The following details the collections and fees remitted to the Commission by each entity for the year ended June 30, 2013:

	<u>Total Collections</u>	<u>Collection Cost</u>	<u>Final Distribution</u>
Morehouse Parish School Board (2%)	\$ 6,020,780	\$ 105,364	\$ 5,915,416
Morehouse Parish Police Jury (.5%)	1,505,980	26,354	1,479,626
Morehouse Parish Police Jury Sales Tax District No. 1 (.5%)	118,639	2,076	116,563
Morehouse Parish Sheriff (.5%)	1,505,980	26,354	1,479,626
Law Enforcement Subdistrict No.1(1%)	861,017	15,068	845,949
City of Bastrop (2.5%)	4,789,556	83,817	4,705,739
City of Bastrop Sales Tax District No. 1 (.5%)	950,950	16,642	934,308
Village of Mer Rouge (2%)	304,518	5,329	299,189
Village of Bonita (2%)	44,616	781	43,835
Village of Collinston (2%)	<u>38,607</u>	<u>676</u>	<u>37,931</u>
Totals	<u>\$ 16,140,643</u>	<u>\$ 282,461</u>	<u>\$ 15,858,182</u>

Note 9. Contingencies and Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There have been no significant reductions in the insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

As of June 30, 2013, the Commission had received claims for refunds of sales taxes. According to the Commission's legal counsel, this litigation had been scheduled for trial on July 8, 2013, was reset for trial in November of this year, but in May 2013, the judge rendered a decision in the case based on summary judgements, without a trial.

Fortunately for the Commission and the other approximately twenty-nine local taxing authorities involved in the case, the court ruled in the taxing authorities' favors and declared that the drug companies and dialysis clinic owners were not entitled to an exemption from sales tax on the purchase of prescription drugs that are administered to Medicare-insured patients.

NOTES TO FINANCIAL STATEMENTS

The taxpayers have recently filed an appeal with the First Circuit Court of Appeal in Baton Rouge and are waiting for the records to be lodged in the court of appeal, the briefs to be filed, and the case to be set for oral argument. Therefore, the Commission's legal counsel has instructed the local tax administrators not to release or disburse any taxes that have been paid under protest and are being held in escrow, and not to refund any taxes which the taxpayers are claiming to be entitled to receive. The Commission has been instructed by its legal counsel to take no action until this case has been decided by the higher courts.

As to the payments under protest, considering the fact that those payments are being held in escrow, the only exposure to the Commission if the case is decided adverse to the Commission would be statutory interest on the amounts refunded from escrow (see Note 3).

Note 10. Subsequent Events

Management of the Commission evaluated subsequent events through the date that the financial statements were available to be issued, October 14, 2013, and determined that no events had occurred requiring disclosure. No subsequent events occurring after this date were evaluated for inclusion in these financial statements.

Note 11. New Accounting Pronouncements

During the year ended June 30, 2013, the Commission adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement clarifies the appropriate reporting of deferred outflows or resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB Statement No. 65 must be implemented by the Commission for the year ending June 30, 2014. The effect of implementation on the Commission's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended June 30, 2013

	<u>Budget</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 271,462	\$ 271,462	\$ 283,063	\$ 11,601
Interest and miscellaneous	3,300	3,300	1,125	(2,175)
Total revenues	<u>\$ 274,762</u>	<u>\$ 274,762</u>	<u>\$ 284,188</u>	<u>\$ 9,426</u>
Expenditures:				
Current:				
General government:				
Personal services:				
Salaries	\$ 152,065	\$ 152,065	\$ 146,062	\$ 6,003
Retirement	25,596	25,596	24,760	836
Group health insurance	25,560	25,560	28,642	(3,082)
Payroll taxes	2,298	2,298	2,201	97
Workers' compensation insurance	1,293	1,293	730	563
Unemployment insurance	1,000	1,000	-	1,000
Total personal services	<u>\$ 207,812</u>	<u>\$ 207,812</u>	<u>\$ 202,395</u>	<u>\$ 5,417</u>
Operating services:				
Dues and subscription	\$ 1,000	\$ 1,000	\$ 1,204	\$(204)
Printed forms	1,000	1,000	-	1,000
Postage and permits	2,500	2,500	2,637	(137)
Telephone	4,500	4,500	4,704	(204)
Office rent and utilities	10,000	10,000	10,858	(858)
Repairs and maintenance	4,000	4,000	5,552	(1,552)
Office supplies	-	-	6,764	(6,764)
Computer upgrades	2,750	2,750	3,100	(350)
Total operating services	<u>\$ 25,750</u>	<u>\$ 25,750</u>	<u>\$ 34,819</u>	<u>\$(9,069)</u>

(continued)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND

(Continued)

As of and for the Year Ended June 30, 2013

	<u>Budget</u>			<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Professional services:				
Legal	\$ 9,000	\$ 9,000	\$ 13,997	\$ (4,997)
Audit	8,800	8,800	7,379	1,421
Insurance	<u>2,700</u>	<u>2,700</u>	<u>2,508</u>	<u>192</u>
Total professional services	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 23,884</u>	<u>\$ (3,384)</u>
Travel and education	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 13,403</u>	<u>\$ 597</u>
Capital outlay	<u>\$ 6,700</u>	<u>\$ 6,700</u>	<u>\$ 4,035</u>	<u>\$ 2,665</u>
Total general fund expenditures	<u>\$ 274,762</u>	<u>\$ 274,762</u>	<u>\$ 278,536</u>	<u>\$ (3,774)</u>
Net change in fund balance	\$ -	\$ -	\$ 5,652	\$ 5,652
Fund balance - beginning	<u>85,000</u>	<u>85,000</u>	<u>167,666</u>	<u>82,666</u>
Fund balance - ending	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ 173,318</u>	<u>\$ 88,318</u>

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

EMPLOYEE HEALTH CARE PLAN - SCHEDULE OF FUNDING PROGRESS
June 30, 2013

Actuarial Valuation <u>Date</u>	Actuarial Valuation <u>of Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
July 1, 2010	\$ -	\$ 323,513	\$ 323,513	0%	\$ 135,343	239%

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Morehouse Sales and Use Tax Commission
Bastrop, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission ("Commission"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Commission's Responses to Findings

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/ Hill, Inzina & Co.

October 14, 2013

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended June 30, 2013

We have audited the financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2013, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2013 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control

Significant Deficiencies ☒ Yes ☐ No

Material Weaknesses ☐ Yes ☒ No

Compliance

Material to Financial Statements ☐ Yes ☒ No

Section II - Financial Statement Findings

2013-1 Inadequate Segregation of Duties (initially cited in first audit conducted by our firm as of and for the year ended June 30, 1994)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur in the finding, but it is not economically feasible for
corrective action to be taken.

Section III - Management Letter

Not issued.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
As of and for the Year Ended June 30, 2013

Section I - Financial Statement Findings

2012-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a
proper internal control.

Unresolved - 2013-1.

Section II - Management Letter

Not issued.